

The background of the slide features three reflective, metallic spheres arranged on a white surface with a grey grid pattern. A prominent blue line runs across the grid, connecting the spheres. The spheres are highly reflective, showing highlights and shadows. The overall aesthetic is clean and modern, suggesting technology or data.

Energy & Economic Report

Q1 2018

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Energy and Economic Report

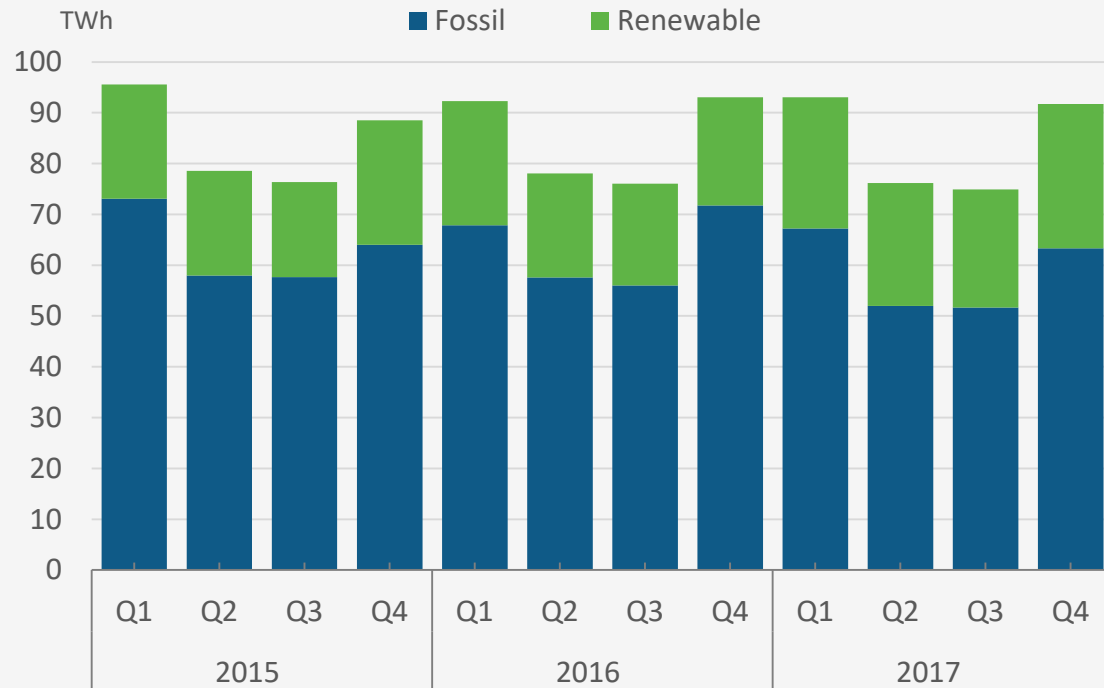
Ecuity's Economics team specialise in analysis to support our evidence-based work on energy, environment and transport policy.

We update our data sources consistently, and in this quarterly document include a range of the indicators we track to provide a picture of the energy transition and economic environment:

1. **Electricity Generation Mix** – displays the balance between fossil fuel and renewable generation
2. **RHI Domestic Installations** - monitors the installed base of domestic RHI installations
3. **ECO Measures** - records the installed base of ECO measures under various ECO schemes
4. **Housing Starts** - proxy for future demand for low-carbon heating technologies
5. **Residential Property Transactions** – indicator for energy efficiency/low carbon heat installations
6. **New Car Market** - indicator of consumer/business confidence & future demand for low-carbon technologies
7. **GDP & Productivity** – reports national output and productivity of the UK economy
8. **Purchasing Manager Index** – shows the health in the manufacturing and construction sectors
9. **Unemployment and Inflation** – reports labour market developments and producer prices
10. **Consumer Confidence** – reports the drivers of consumer confidence



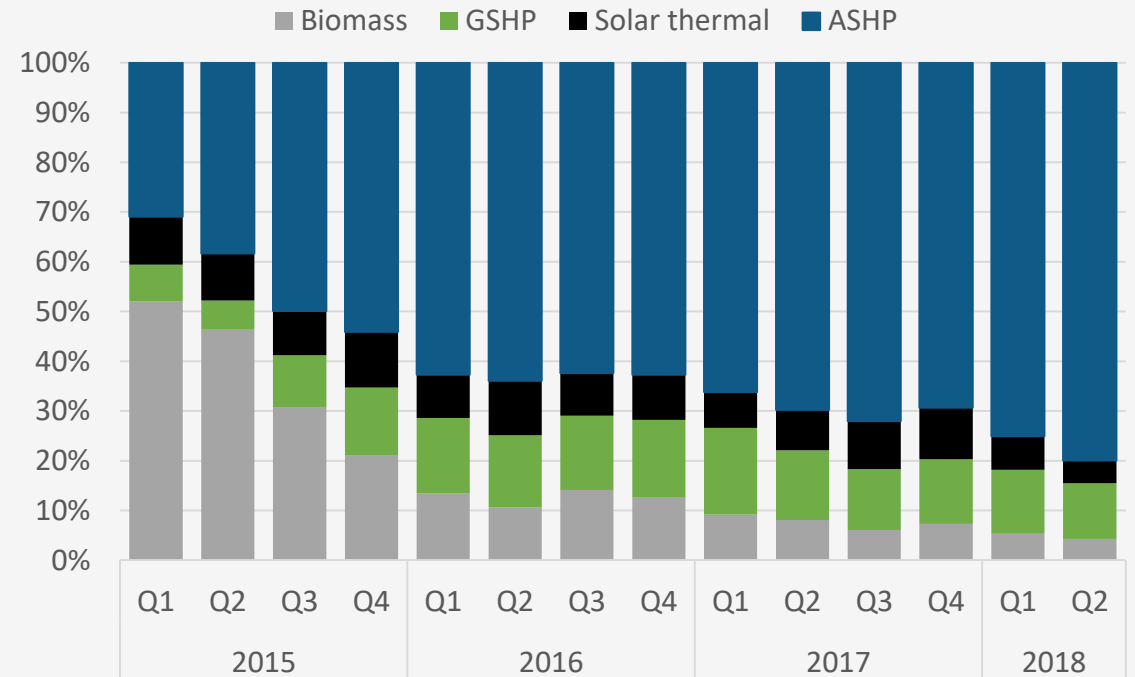
Electricity Generation Mix



Source: BEIS

- Total generation fell 1% in 2017 to 336 TWh (339 TWh in 2016) – warmer weather and improved energy efficiency measures
- Renewables' share of generation increased to 30% in 2017 (26% in 2016)
- In Q4 2017 wind & solar generation overtook nuclear becoming the UK's second highest source of electricity for the first time
- Largest generation source in 2017 was gas at 38% (42% in 2016)

Domestic RHI Installations

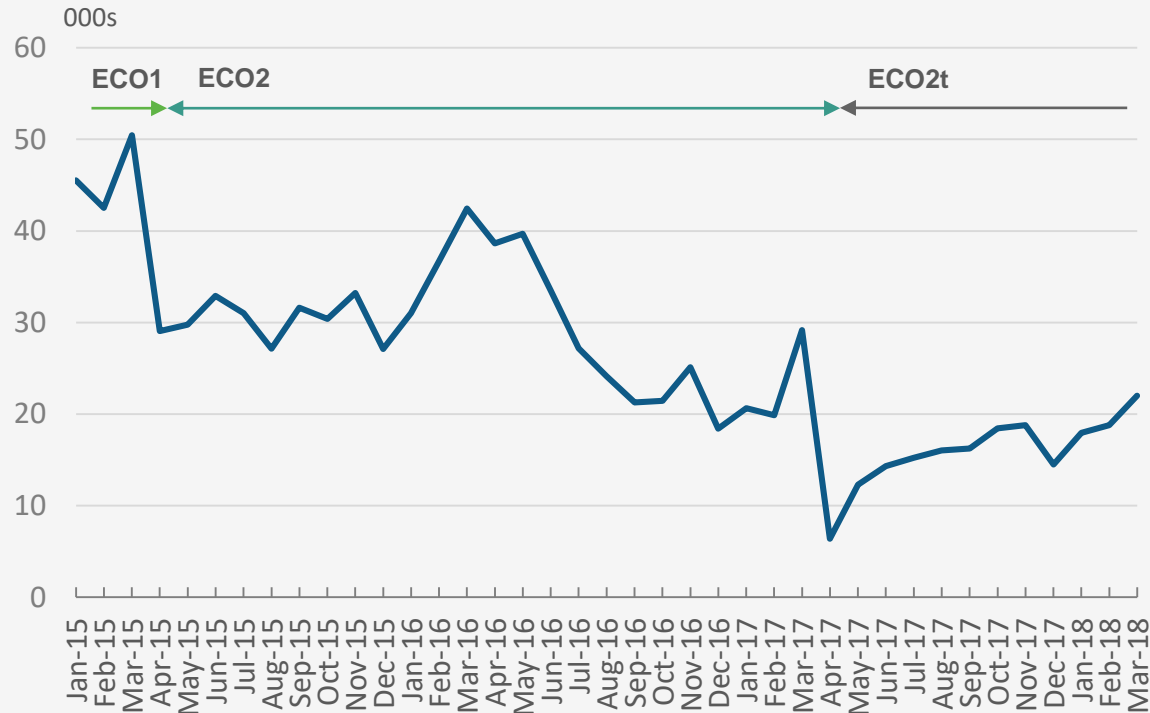


Source: BEIS

- Between April 2014 and April 2018, a total of 36,217 new measures have been installed
- Over half of the installations were ASHPs (53%). Solar thermal and GSHP stand at 10% and 11% respectively
- In Q2 2018 there were 633 total installations, down 66% y-o-y



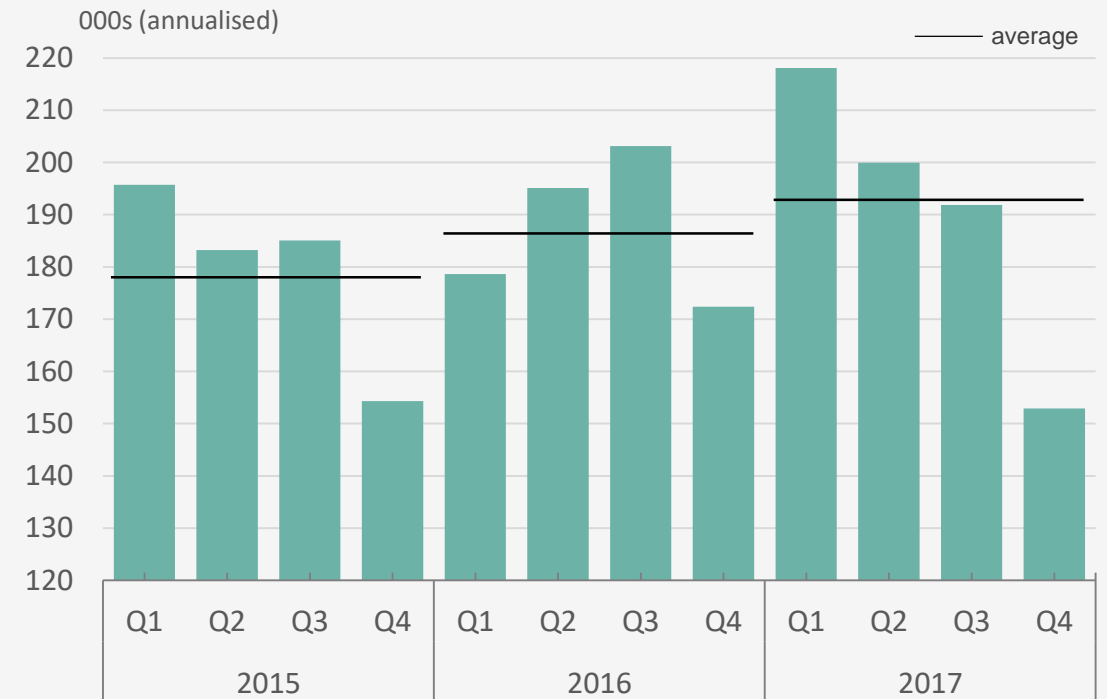
ECO Measures Installed



Source: BEIS

- Between Jan-13 and Mar-18, 2.3m measures have been installed
- 190,975 measures installed under current ECO2t scheme
- ECO3 will replace ECO 2t from October 2018

Housing Starts

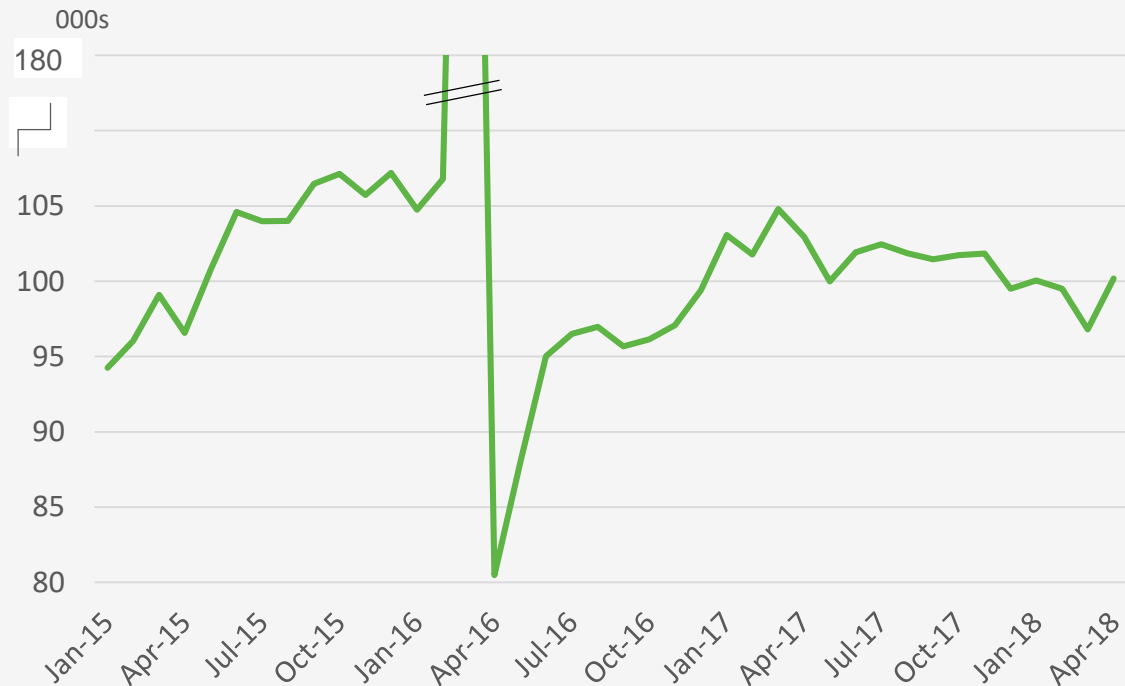


Source: MHCLG

- In Q4 2017 there were 38,230 housing starts (equivalent to 152,920 annually)
- This is down 20% on last quarter, and down 11% the same time a year ago
- Latest data from National House-Building Council showed builders registered plans to start work on 36,637 new homes in Q1 2018, -4% q-o-q
- NHBC attribute the contraction to the bad weather during Q1 2018



Residential Property Transactions

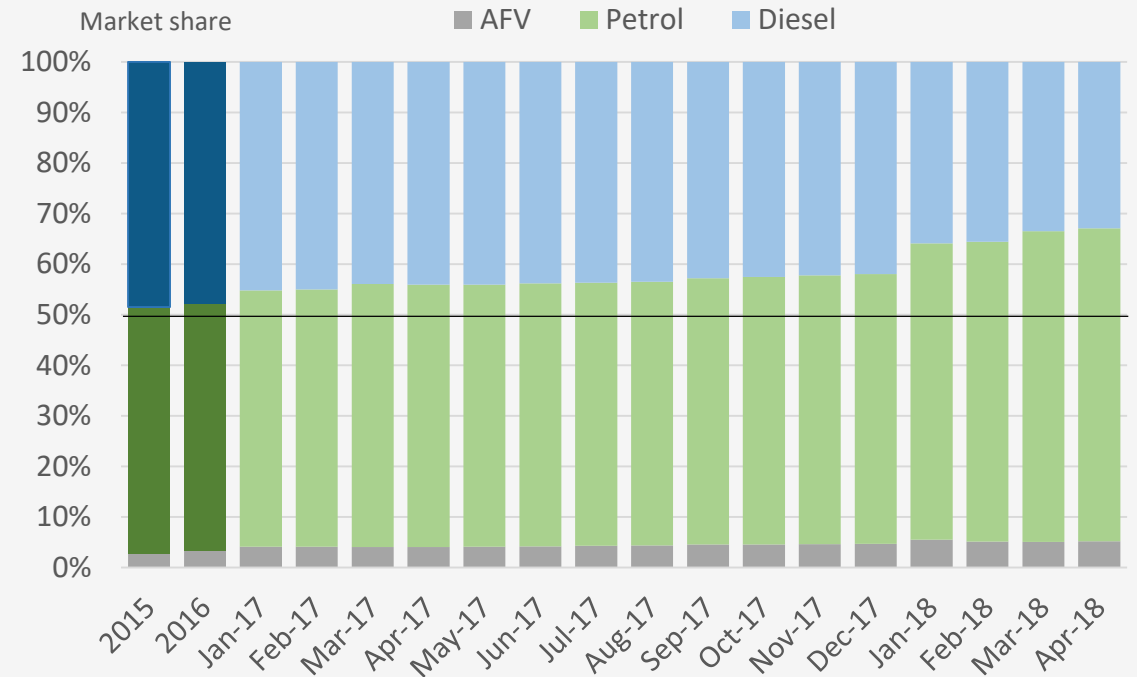


Source: HMRC

- There were 100,190 transactions in Apr-18, down 3% y-o-y
- In 2017 there were a total of 1.23m transactions, unchanged from 2016

(Spike in March 2016 was due to the introduction of stamp duty on additional properties in effect from April 2016)

New Car Market

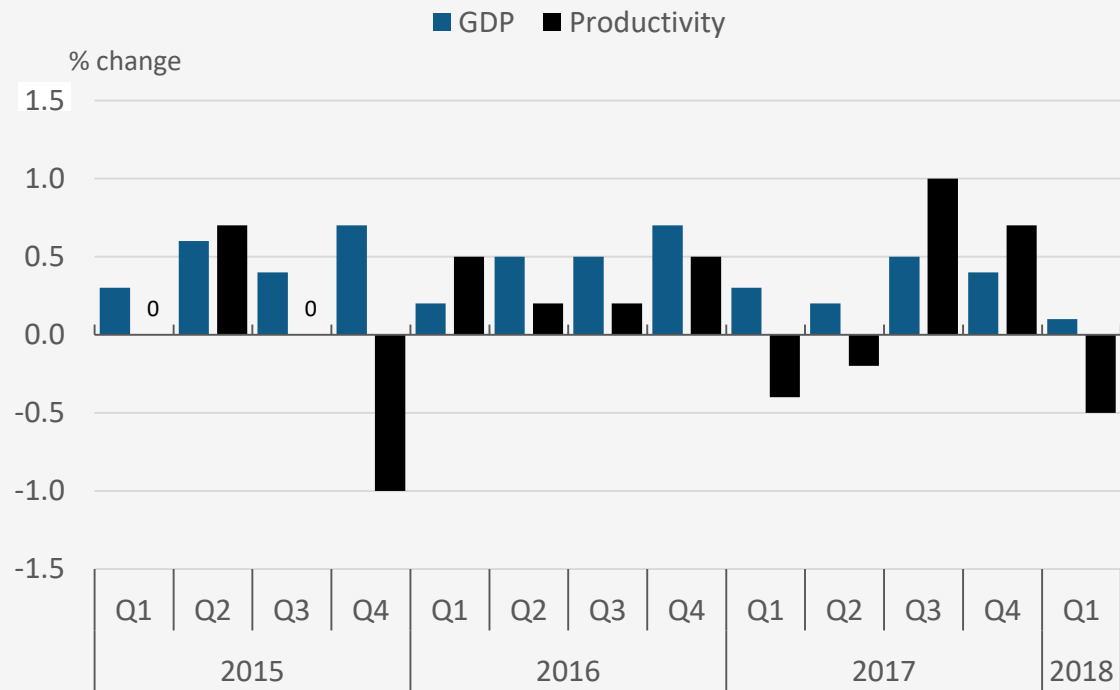


Source: SMMT

- Diesel's market share in Apr-18 decreased to 31% (45% in Apr-17)
- Petrol's market share in Apr-18 increased to 64% (51% in Apr-17)
- AFV's (alternatively-fuelled vehicles) market share in Apr-18 was 6%, up slightly on 4% in Apr-17
- 886,400 new cars registered YTD Apr-18, down 9% y-o-y



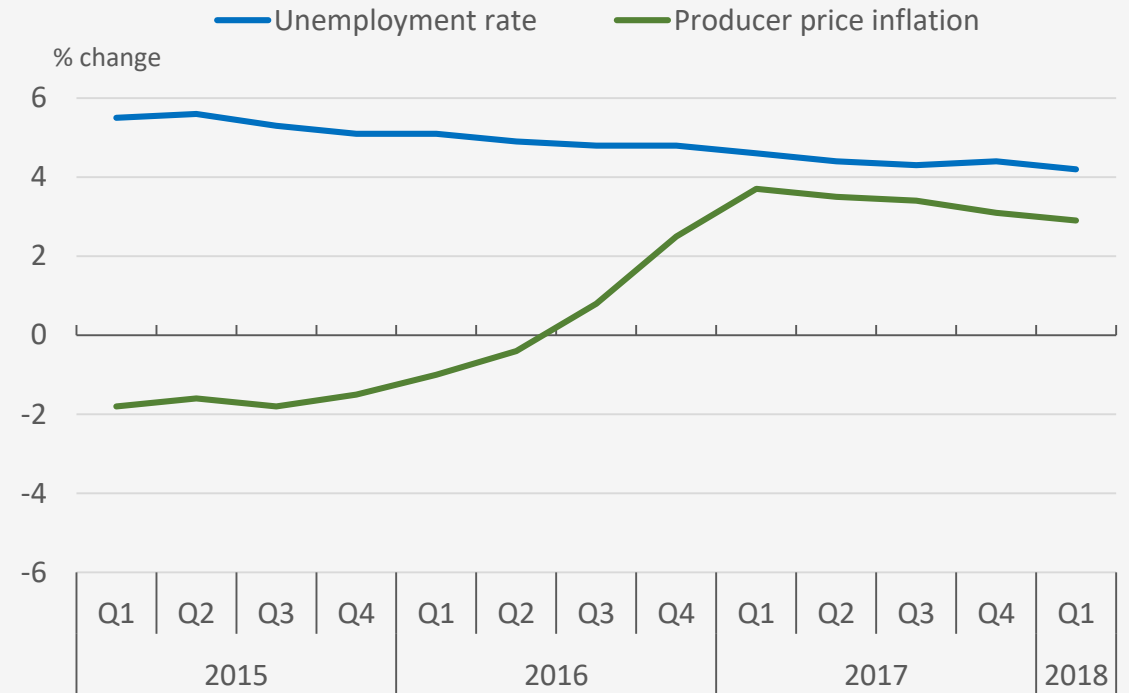
Economic Growth



Source: ONS

- GDP only grew 0.1% in Q1 2018 – weakest quarterly growth since Q4 2012
- Sharp contraction in construction, weak growth in manufacturing and a squeeze on consumer spending due to the bad weather in February and March
- Following two quarters of positive growth, productivity contracted 0.5% in Q1 2018 – hours worked increased quicker than output

Labour Market & Inflation

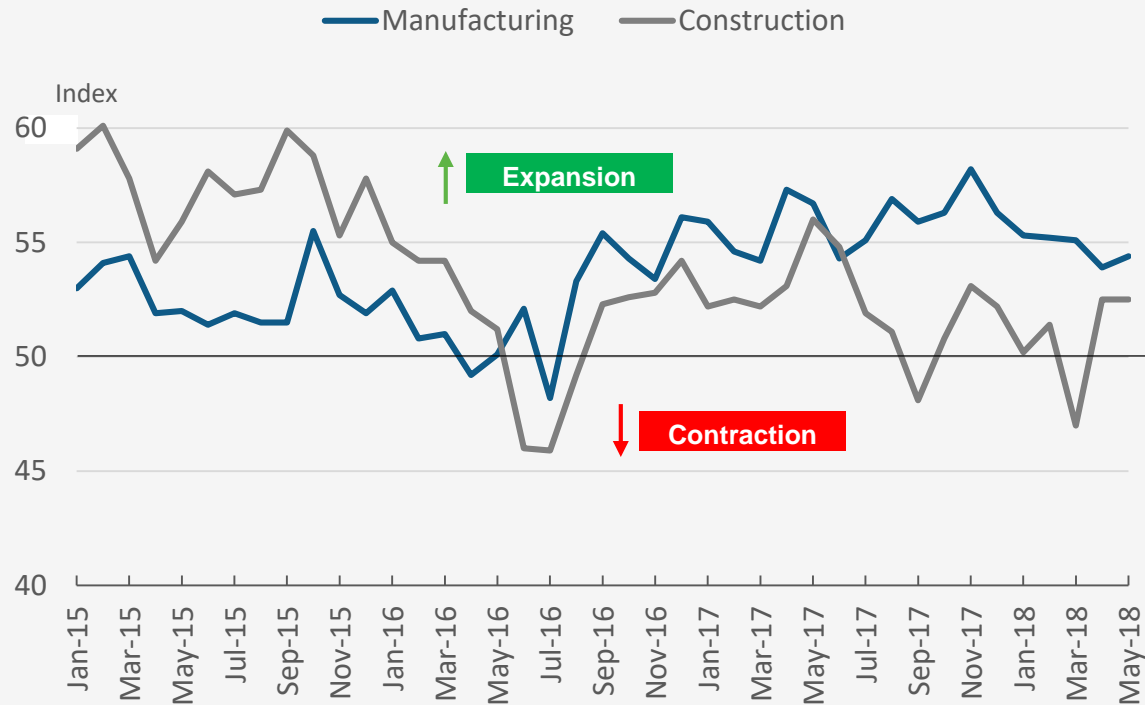


Source: ONS

- Unemployment rate decreased to 4.2% in Q1 2018 (4.6% in Q1 2017)
- Unemployment currently lowest since 1975
- Factory gate prices (producer inflation) were 2.9% higher in Q1 2018 than the same time a year ago



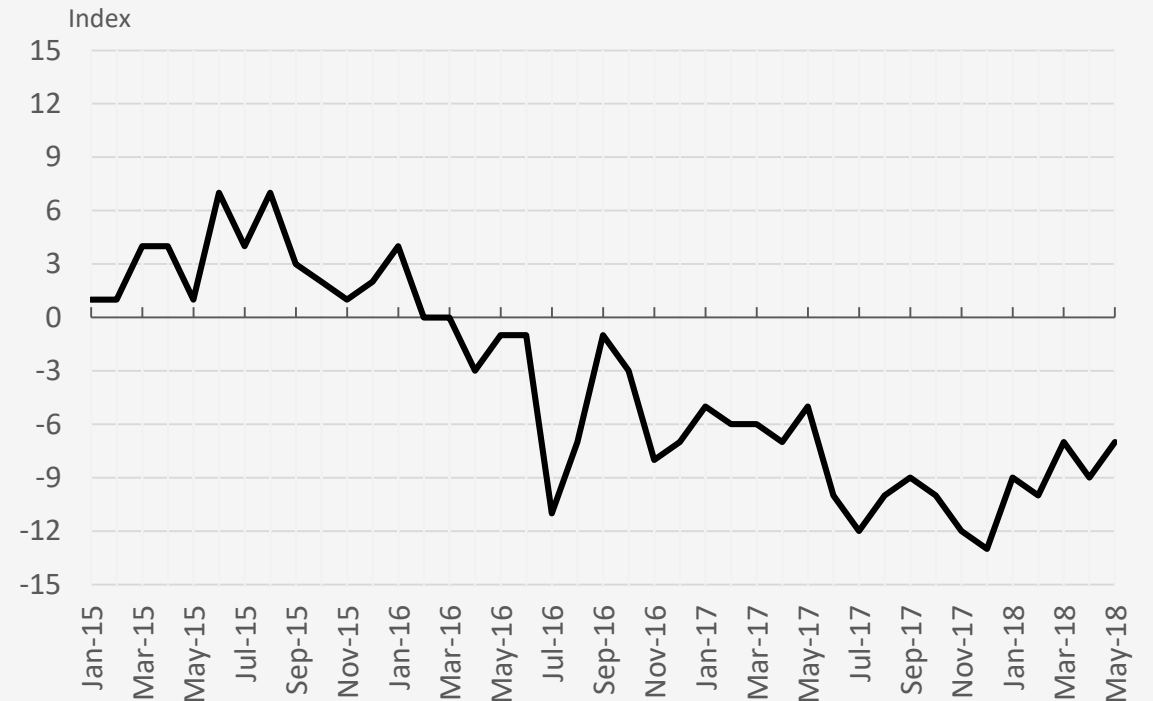
Purchasing Managers Index (PMI)



Source: IHS Markit

- Manufacturing PMI was 54.4 in May, slightly higher than in April (53.9)
- New orders strong but pace of expansion eased to an 11-month low
- 52% of manufacturers surveyed forecast output to rise next 12 months
- Construction PMI unchanged at 52.5 in May

Consumer Confidence



Source: GfK

- Overall index at -7, slightly lower than the same time a year ago (-5)
 - Major purchase index decreased two points to +1
 - Savings index decreased three points to +7
 - Personal finance situation increased two points to +1
 - General economic situation increased five points to -24





Four things Ecuity is working on

1

DfT are expected to imminently release a *long term strategy for the UK's transition to zero road vehicle emissions* – as featured in the Clean Growth Strategy. (Read more [here](#))

2

BEIS released a wide-ranging call for evidence on [future heat policy](#). This follows a commitment to *phase out high carbon fossil fuels* (Clean Growth Strategy) and precedes the current stated RHI end-date of 2021. The call for evidence includes questions on new build policy, off-grid heating market, and financing solutions. It **closes on 11th June**.

3

DEFRA released a call for evidence on [air quality](#). Following the governments plan in 2017 to reduce roadside NOx concentrations in the UK, this strategy outlines ambitions to reduce air pollution overall. It **closes on 14th August**.

4

The European Parliament voted favourably on a review to the Energy Efficiency Directive, which stands to include a 35% energy reduction target by 2030, and a change to the Primary Energy Factor (PEF) for electricity. A change to the PEF would alter the relative attractiveness of electrical/gas heating technologies. Read more [here](#). Further debates between European Council, Parliament, and Commission will take place in Q2 this year.



Key dates



June/July – expect DfT to release a *long term strategy for the UK's transition to zero road vehicle emissions*

11th June – BEIS future framework for heat in buildings call for [evidence](#) closes

27th June – domestic RHI assignment of rights will come into effect, allowing third parties to finance heating systems, and receive RHI payments in return – *subject to Parliamentary approval*

14th August – DEFRA Clean Air Strategy 2018 call for [evidence](#) closes

